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SUBJECT: NORDIC-BALTIC ELECTRICITY CABLE UP AND RUNNING

¶1. On December 4th, simultaneous inauguration ceremonies took place in Estonia and Finland opening the Estlink electric power cable between the two countries. The Estlink submarine cable, finished roughly five months ahead of schedule, marks the first-ever linkage of the Baltic and Nordic power grids. Estlink's capacity current is 350 MW. The current plan is for energy to flow from Estonia to Finland; Estlink's capacity can meet approximately 2% of Finnish electricity demand. It is possible, however, to send power in either direction. According to Einari Kisel, Director of the Energy Department at the Estonian Ministry of Economic Affairs and Communication (MOE), Estlink's capacity could meet 100% of Estonia's electricity needs during off-peak demand in the summer, or roughly 1/3 of peak demand during the winter.

¶2. In planning and financing stages for over six years, the opening of the Estlink cable increases the number of energy supply choices available to Estonia and connects the Baltic energy network with that of the EU. While EU funds paid for the Estlink feasibility study in the late 1990s, financing for the final EUR 110 million (USD 146.3 million) project came solely from the three Baltic power companies Eesti Energia (40%), Latvenergo (25%), Lietuvos Energija (25%), as well as Pohjolan Voima and Helsingin Energia (10%) of Finland.

¶3. At a July 2006 conference on EU-Russia Energy Relations in Tallinn, Andris Kesteris, spokesman for EU Energy Commissioner Andris Piebalgs (who attended the December 4 inauguration), said that Estlink is one of the best examples of cooperation in energy markets. Also, MOE's Einari Kisel told us that the cooperation displayed by the three Baltic energy companies on the Estlink project could be a model for further progress on the planned replacement of the Lithuanian nuclear power plant at Ignalina. This project, however, will be privately financed, as opposed to the much smaller, publicly financed Estlink project.

¶4. Comment: Though a modest step towards greater energy independence for Estonia, the opening of the Nordic-Baltic Estlink cable serves as a successful example of effective partnership between the two markets. End comment.

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